



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

Robert D. Lenhard, Esq.  
Angelle C. Smith, Esq.  
Covington & Burling LLP  
1201 Pennsylvania Avenue, NW  
Washington, DC 20004-2401

**JUN 30 2016**

RE: MUR 6848  
George Demos  
Friends of George Demos and Robert Cole in his  
official capacity as treasurer

Dear Mr. Lenhard and Ms. Smith:

On July 2, 2014, the Federal Election Commission (the "Commission") notified your clients, George Demos and Friends of George Demos and Robert Cole in his official capacity as treasurer, of a complaint alleging violations of the Federal Election Campaign Act of 1971, as amended (the "Act"). A copy of the complaint was forwarded to your clients at that time.

Upon further review of the allegations contained in the complaint, and information provided by you on behalf of your clients, the Commission, on June 17, 2016, found that there is reason to believe George Demos violated 52 U.S.C. § 30116(f) and that Friends of George Demos and Robert Cole in his official capacity as treasurer violated 52 U.S.C. §§ 30104(b) and 30116(f). The Factual and Legal Analyses, which formed a basis for the Commission's finding, are attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

Please note that you have a legal obligation to preserve all documents, records and materials relating to this matter until such time as you are notified that the Commission has closed its file in this matter. See 18 U.S.C. § 1519.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be

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pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

This matter will remain confidential in accordance with 52 U.S.C. §§ 30109(a)(4)(B) and 30109(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public. Please be advised that, although the Commission cannot disclose information regarding an investigation to the public, it may share information on a confidential basis with other law enforcement agencies.

If you have any questions, please contact Ana Peña-Wallace, the attorney assigned to this matter, at (202) 694-1650.

On behalf of the Commission,

  
Matthew S. Petersen  
Chairman

Enclosure  
Factual and Legal Analyses (2)

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<sup>1</sup> The Commission has the statutory authority to refer knowing and willful violations of the Act to the Department of Justice for potential criminal prosecution, 52 U.S.C. § 30109(a)(5)(C), and to report information regarding violations of law not within its jurisdiction to appropriate law enforcement authorities. *Id.* § 30107(a)(9).

1 **FEDERAL ELECTION COMMISSION**

2 **FACTUAL AND LEGAL ANALYSIS**

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4  
5 **RESPONDENT:** George Demos

**MUR 6848**

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8 **I. INTRODUCTION**

9 This matter was generated by a Complaint filed with the Federal Election Commission  
10 (the "Commission") alleging violations of the Federal Election Campaign Act of 1971, as  
11 amended, (the "Act")<sup>1</sup> by House candidate George Demos. The Complaint alleges that Demos  
12 had insufficient personal assets to fund \$2 million in loans that he reported making to his  
13 campaign committee, Friends of George Demos (the "Committee"), during the 2014 election  
14 cycle. It further alleges that Demos obtained the funds for the loans from his father-in-law,  
15 Angelo Tsakopoulos. The Complaint relies significantly on a December 2013 meeting between  
16 the Complainant and Demos during which Demos purportedly acknowledged receiving the  
17 contribution from Tsakopoulos. The Respondent denies the allegations and explains that the  
18 funds came from joint bank accounts that Demos held with his wife, Chrysanthi Tsakopoulos  
19 Demos, Tsakopoulos's daughter, but he does not provide details regarding the source of the  
20 funds in those accounts.

21 Based on the record before the Commission, it appears that the money Demos used to  
22 fund the loans to the Committee may not have come from his personal funds. Thus, the  
23 Commission finds reason to believe that Demos accepted excessive contributions in violation of  
24 52 U.S.C. § 30116(f) (formerly 2 U.S.C. § 441a(f)).

<sup>1</sup> On September 1, 2014, the Act was transferred from Title 2 to new Title 52 of the United States Code.

## II. FACTUAL AND LEGAL ANALYSIS

### A. Factual Background

George Demos was a candidate for the U.S. House of Representatives in the 2014 Republican primary election for New York's 1st Congressional District. The Commission received his Statement of Candidacy on September 26, 2013. He lost the June 24, 2014 primary election.<sup>2</sup> Demos also ran for the same House seat in 2010 and 2012.<sup>3</sup> From 2002 through 2009, Demos worked as an Enforcement Attorney for the Securities and Exchange Commission ("SEC").<sup>4</sup>

Demos filed Financial Disclosure Statements with the Office of the Clerk of the U.S. House of Representatives ("Financial Statements") for both the 2012 and 2014 elections. In 2012, prior to his marriage to Chrysanthi Tsakopoulos, Demos's largest reported asset was valued between \$100,001 and \$250,000, and he valued each of his other assets at \$50,000 or less.<sup>5</sup> The Financial Statements he filed for the 2014 election list two bank accounts, held jointly with his wife, each valued between \$1,000,001 and \$5,000,000.<sup>6</sup> The statements indicate that the remaining high-value assets listed belonged to his wife individually.<sup>7</sup> Demos listed no

<sup>2</sup> See NYS Board of Elections Representative in Congress Election Returns June 24, 2014, <http://www.elections.ny.gov/NYSBOE/elections/2014/Primary/2014FederalPrimaryResults.pdf>.

<sup>3</sup> See George Demos, Statement of Candidacy (Oct. 13, 2009), <http://docquery.fec.gov/pdf/288/29030171288/29030171288.pdf>; George Demos, Statement of Candidacy (Aug. 8, 2011), <http://docquery.fec.gov/pdf/802/11030651802/11030651802.pdf>.

<sup>4</sup> See Resp. at 2; *Meet George Demos: A Biography*, GEORGE DEMOS FOR CONGRESS WEBSITE, [http://www.georgedemosforcongress.com/refresh/templates/meet\\_george.php?id=5](http://www.georgedemosforcongress.com/refresh/templates/meet_george.php?id=5).

<sup>5</sup> George Demos, 2012 Financial Disclosure Statement, [http://clerk.house.gov/public\\_disc/financial-pdfs/2012/8209315.pdf](http://clerk.house.gov/public_disc/financial-pdfs/2012/8209315.pdf).

<sup>6</sup> George Demos, 2013 Financial Disclosure Statement, [http://clerk.house.gov/public\\_disc/financial-pdfs/2013/8213601.pdf](http://clerk.house.gov/public_disc/financial-pdfs/2013/8213601.pdf); George Demos, 2014 Financial Disclosure Statement, [http://clerk.house.gov/public\\_disc/financial-pdfs/2014/8216007.pdf](http://clerk.house.gov/public_disc/financial-pdfs/2014/8216007.pdf).

<sup>7</sup> *Id.*

1 employment or earned income for himself on the Financial Statements he filed for either the  
2 2012 or 2014 election cycles.<sup>8</sup>

3 The Committee disclosed four candidate loans during the 2014 election cycle: a  
4 \$1,000,000 loan made on September 27, 2013, a \$1,000,000 loan made on December 30, 2013,  
5 and two \$250,000 loans made on June 23, 2014, the day before the primary. The Committee  
6 disclosed the loans on its 2013 October Quarterly, 2013 Year-End, and 2014 July Quarterly  
7 reports, respectively.<sup>9</sup>

8 At issue is the source of the funds Demos loaned to the Committee.<sup>10</sup> The Complaint  
9 alleges that Tsakopoulos and his company, AKT, were the true sources of the loans to the  
10 Committee and, consequently, Demos received excessive contributions from Tsakopoulos and  
11 possibly a prohibited corporate contribution from AKT.<sup>11</sup>

12 Tsakopoulos is a real estate developer in California and frequent contributor to political  
13 campaigns.<sup>12</sup> According to the Commission's records, Tsakopoulos has contributed \$489,283 to  
14 federal political committees, made \$40,150 in joint fundraising contributions, and provided

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<sup>8</sup> The Financial Statements that Demos filed in December 2013 and July 2014 list income for his spouse in the amounts of \$24,000 and \$11,500, respectively. The income is shown as salary from AKT. See George Demos, 2013 Financial Disclosure Statement, [http://clerk.house.gov/public\\_disc/financial-pdfs/2013/8213601.pdf](http://clerk.house.gov/public_disc/financial-pdfs/2013/8213601.pdf); George Demos, 2014 Financial Disclosure Statement, [http://clerk.house.gov/public\\_disc/financial-pdfs/2014/8216007.pdf](http://clerk.house.gov/public_disc/financial-pdfs/2014/8216007.pdf).

<sup>9</sup> See Committee, 2013 October Quarterly Report, <http://docquery.fec.gov/pdf/633/13941680633/13941680633.pdf#navpanes=0>; Committee, 2013 Year-End Report, <http://docquery.fec.gov/pdf/246/14960886246/14960886246.pdf#navpanes=0>; Committee, 2014 July Quarterly Report, <http://docquery.fec.gov/pdf/602/14952617602/14952617602.pdf#navpanes=0>.

<sup>10</sup> The Complaint only questions the two \$1 million loans, presumably because Demos made the two \$250,000 loans after the Complaint's filing.

<sup>11</sup> Compl. at 1-2.

<sup>12</sup> See *id.*

1 \$1,564,800 in non-federal receipts "exempt from limits" (*i.e.*, soft money).<sup>13</sup> He is also the  
2 registered agent for AKT, a California corporation.<sup>14</sup>

3 The Complaint primarily relies on a description of a meeting between the Complainant  
4 and Demos that took place on December 14, 2013, during which Demos allegedly stated that  
5 (1) he was "bringing a substantial sum of money to his campaign through his father-in-law;"  
6 (2) Tsakopoulos "had committed to give him a total of \$2,000,000 to wage a primary election for  
7 the Congressional seat and that he would show that money in his FEC report;" and (3) his father  
8 in-law would give additional money for the general election.<sup>15</sup> The Complainant, who is the  
9 Chairman of the Brookhaven Town Republican Committee, states that he attended the meeting  
10 along with Betty Manzella, his Vice Chair, and he personally heard Demos make these  
11 statements.<sup>16</sup> The Complaint also relies on Demos's purported lack of income; it alleges that  
12 Demos was unemployed when he became a candidate, and his last full-time employment was as  
13 an attorney for the SEC in 2009.<sup>17</sup> The Complaint also cites to a number of news articles  
14 reporting that Demos's father-in-law was the actual source of the \$2,000,000.<sup>18</sup>

15 The Respondent denies the allegations and argues that the Complaint is speculative, the  
16 Complainant is ignorant of Demos's employment history since he left the SEC, and the

<sup>13</sup> See FEC, Individual Contributor Search Form, <http://www.fec.gov/finance/disclosure/norindsea.shtml>. An additional \$7,000 in contributions to political committees also appears in the Commission database under an alternate spelling of his last name.

<sup>14</sup> See *Business Entity Detail: AKT Development Corporation*, CALIFORNIA SECRETARY OF STATE, <http://kepler.sos.ca.gov/>. The Complaint implies AKT was involved because Demos mailed the Committee's Statement of Organization from AKT's business offices in California. See Compl. at 1; Committee Statement of Organization, <http://docquery.fec.gov/pdf/504/13031120504/13031120504.pdf>. (showing return address on UPS mailing envelope to be the same as AKT's offices).

<sup>15</sup> Compl. at 2.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.* at 1.

<sup>18</sup> *Id.* at 2 and Attach.

1 Complaint relies on unsourced press articles. Respondent also disputes the Complainant's  
2 recollection of his meeting with Demos six months earlier.<sup>19</sup> The Response highlights one of the  
3 articles attached to the Complaint, which quotes Demos as stating that the money was his: "[m]y  
4 wife and I have assets, my campaign is funded with our own money."<sup>20</sup> The Response questions  
5 the Complainant's "hazy recollection" of the December 2013 meeting with Demos, calling it  
6 "muddled and wrong," but does not present a different version of what happened at the  
7 meeting.<sup>21</sup> Demos further claims that the Complaint was politically motivated because it was  
8 mailed shortly before the June 2014 primary.<sup>22</sup>

9 In the Response, and in a declaration signed by Demos, Respondent states that the funds  
10 were not from Demos's father in-law, but rather from assets that Demos "owned with [his] wife  
11 before declaring [himself] a candidate and were not gifts, loans or donations to [Demos] by Mr.  
12 Angelo Tsakopoulos."<sup>23</sup> The Response further states that the "funds [were] derived from Mrs.  
13 Demos'[s] investment assets."<sup>24</sup> The Response does not state whether Demos's wife received  
14 any funds from her father during the campaign period. The Respondent also questions the  
15 ongoing viability of restrictions on family gifts.<sup>25</sup>

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<sup>19</sup> Resp. at 2-4.

<sup>20</sup> *Id.* at 3.

<sup>21</sup> *Id.* at 4-5.

<sup>22</sup> *Id.* at 4. It appears that on June 23, 2014, the Complainant issued a press release about the Complaint, which the local press reported, sent a letter to members of the local Republican Party committee, and posted a message on the Brookhaven Town Republican Committee Facebook page. *Id.* at Exs. 1-4.

<sup>23</sup> Demos Decl. ¶ 6.

<sup>24</sup> Resp. at 5.

<sup>25</sup> *Id.* at 5 n.2

1 According to the Commission's records, Tsakopoulos contributed \$2,600 to the  
2 Committee for both the primary and general elections. There is no information in the record  
3 indicating whether Tsakopoulos gave his daughter money during the campaign period.

#### 4 B. Legal Analysis

5 In 2014, the Act prohibited persons from making contributions to any candidate and his  
6 or her authorized political committee with respect to any election for federal office which, in the  
7 aggregate, exceeded \$2,600.<sup>26</sup> The term "contribution" includes "any gift, subscription, loan,  
8 advance, or deposit of money or anything of value made by any person for the purpose of  
9 influencing any election for Federal office."<sup>27</sup> Corporations are prohibited from making a  
10 contribution in connection with any federal election.<sup>28</sup>

11 All contributions made by persons other than political committees must be reported in  
12 accordance with 52 U.S.C. § 30104(b)(2)(A) (formerly 2 U.S.C. § 434(b)(2)(A)). Political  
13 committees must report the identification of each person who makes a contribution or  
14 contributions with an aggregate value in excess of \$200 during the reporting period, together  
15 with the date and amount.<sup>29</sup>

16 Federal candidates may make unlimited contributions from their "personal funds" to their  
17 campaigns.<sup>30</sup> "Personal funds" of a candidate means the sum of all of the following: (a) assets;

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<sup>26</sup> 52 U.S.C. § 30116(a)(1)(A); see 11 C.F.R. §§ 110.1(b)(1)(i), 110.17(b).

<sup>27</sup> *Id.* § 30101(8)(A)(i).

<sup>28</sup> *Id.* § 30118 (formerly 2 U.S.C. § 441b(a)).

<sup>29</sup> *Id.* § 30104(b)(3)(A) (formerly 2 U.S.C. § 434(b)(3)(A)).

<sup>30</sup> 11 C.F.R. § 110.10.



1 (b) income; and (c) jointly owned assets.<sup>31</sup> A candidate's assets are amounts derived from any  
2 asset that, under applicable state law, at the time the individual became a candidate, the candidate  
3 had legal right of access to or control over, and with respect to which the candidate had legal and  
4 rightful title or an equitable interest.<sup>32</sup> A candidate's jointly owned assets are amounts derived  
5 from a portion of assets that are owned jointly by the candidate and the candidate's spouse as  
6 follows: the portion of assets that is equal to the candidate's share of the asset under the  
7 instrument of ownership or conveyance; or if no specific share is indicated by an instrument of  
8 ownership or conveyance, the value of one-half of the property.<sup>33</sup>

9 Although federal candidates may contribute unlimited personal funds to their campaigns,  
10 their family members are subject to the Act's contribution limits.<sup>34</sup> The Commission has  
11 enforced the contribution limit against family members who made excessive contributions to the  
12 candidate's campaign in the form of asset transfers to the candidate.<sup>35</sup>

<sup>31</sup> *Id.* § 100.33. A candidate's income consists of income received during the current election cycle, of the candidate, including: salary and other earned income that the candidate earns from bona fide employment; income from the candidate's stocks or other investments including interest, dividends, or proceeds from the sale or liquidation of such stocks or investments; bequests to the candidate; income from trusts established before the beginning of the election cycle; income from trusts established by bequest after the beginning of the election cycle of which the candidate is the beneficiary; gifts of a personal nature that had been customarily received by the candidate prior to the beginning of the election cycle; and proceeds from lotteries and similar games of chance. *Id.* § 100.33(b).

<sup>32</sup> *Id.* § 100.33(a).

<sup>33</sup> *Id.* § 100.33(c).

<sup>34</sup> The United States Supreme Court has upheld the constitutionality of the Act's contribution limits as applied to members of a candidate's family. *See Buckley v. Valeo*, 424 U.S. 1, 53 n.59 ("Although the risk of improper influence is somewhat diminished in the case of large contributions from immediate family members, we cannot say that the danger is sufficiently reduced to bar Congress from subjecting family members to the same limitations as nonfamily members.").

<sup>35</sup> *See, e.g.*, MUR 6417 (Huffman) (finding reason to believe a candidate and his spouse violated 52 U.S.C. § 30116(a) and (f) by transferring \$900,000 from the spouse's separately-held trust account to the couple's joint account to be loaned to the candidate's campaign and transferring \$400,000 from the spouse's separately-held trust account directly to the candidate's campaign); MUR 5334 (O'Grady) (finding reason to believe a candidate and her spouse violated 52 U.S.C. § 30116(a) and (f) by making and accepting a \$25,000 loan from the spouse's separate business account).

1 The facts in the sworn Complaint support finding reason to believe that the money  
2 Demos loaned his Committee did not come from his personal funds. Complainant gives a  
3 specific account, under penalty of perjury, of a meeting he personally attended at which Demos  
4 purportedly acknowledged that Tsakopoulos was providing Demos with \$2 million for his  
5 campaign.<sup>36</sup> If this account is true, then it would appear that the funds Demos loaned to his  
6 campaign did not qualify as his personal funds under 11 C.F.R. § 100.33 because the funds were  
7 not gifts from Tsakopoulos customarily given. Instead, it appears that the funds were excessive  
8 contributions to Demos to be used in his campaign. The Response challenges Complainant's  
9 recollection of the December 2013 meeting, but does not present an alternate version of events.

10 Further, the sworn declaration submitted by Demos generally denying that Tsakopoulos  
11 gave Demos or the Committee more than \$5,200 is not dispositive. Demos stated that the loans  
12 came from assets he owned with his wife before he became a candidate and he received no  
13 "gifts, loans or donations" from Tsakopoulos.<sup>37</sup> This declaration, however, does not rule out  
14 another possible scenario: Tsakopoulos gave his daughter money to be used for her husband's  
15 campaign. Similarly, Demos's general statements quoted in the media that the money belonged

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<sup>36</sup> Compl. at 2.

<sup>37</sup> Demos Decl. ¶ 6.

1 either to him, or to him and his wife, do not persuasively rebut the Complaint's allegations.<sup>38</sup>

2 And we do not have any information concerning any pattern of gift-giving at this stage.<sup>39</sup>

3 Demos's Financial Disclosure Statements for the 2014 election cycle also do not resolve  
4 the material issues. The statements disclose no employment or earned income for Demos. They  
5 do show two joint bank accounts from which Demos could have funded the loans. Each account  
6 had a value between \$1,000,001 and \$5,000,000, of which Demos's portion could have been  
7 sufficient to fund the \$2.5 million in loans that he made to his campaign.<sup>40</sup> However, the  
8 Complainant has sworn under penalty of perjury that Demos told him Tsakopoulos would give  
9 him at least \$2 million to fund his campaign. The remaining significant assets disclosed on  
10 Demos's financial disclosure statements appear to be stocks and investments his wife owned  
11 individually.

12 In summary, the Complainant's sworn statement that Demos told him that Demos would  
13 receive \$2 million through his father-in-law for his campaign and the careful wording of the  
14 Respondent's sworn declaration support a reason-to-believe finding that the money Demos  
15 loaned his campaign may not have come from his personal funds.

16 Accordingly, the Commission finds there is reason to believe that George Demos violated  
17 52 U.S.C. § 30116(f) (formerly 2 U.S.C. § 441a(f)).

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<sup>38</sup> See Compl., Attach. The Commission has found no reason to believe concerning allegations that a candidate lacked sufficient personal funds to make loans to his or her campaign committee where there was information, such as in the form of affidavits or financial documentation, demonstrating that the candidate had access to sufficient personal funds to make the loans at issue. See e.g., MUR 6523 (Wilford R. Cardon, *et al.*), MUR 6412 (Blumenthal for Senate), MUR 6388 (Mattie Fein for Congress), MUR 6341 (Adams for Congress).

<sup>39</sup> In cases involving gifts from family members, the Commission has examined whether the money was given as part of an established pattern of gift-giving, or whether the gift was made for the purpose of influencing an election. See, e.g., MUR 6417 (Jim Huffman for Senate), MUR 5724 (Jim Feldkamp for Congress), and MUR 5571 (Tananoka for Congress). Here, there is no available information at this stage to determine whether Tsakopoulos gave his daughter any gifts during the 2014 election cycle or whether there was an established pattern of gift-giving between Tsakopoulos and his daughter.

<sup>40</sup> 11 C.F.R. § 100.33(c).

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1    **II.    FACTUAL AND LEGAL ANALYSIS**

2            **A. Factual Background**

3            George Demos was a candidate for the U.S. House of Representatives in the 2014  
4    Republican primary election for New York's 1st Congressional District. The Commission  
5    received his Statement of Candidacy on September 26, 2013. He lost the June 24, 2014 primary  
6    election.<sup>2</sup> Demos also ran for the same House seat in 2010 and 2012.<sup>3</sup> From 2002 through 2009,  
7    Demos worked as an Enforcement Attorney for the Securities and Exchange Commission  
8    ("SEC").<sup>4</sup>

9            Demos filed Financial Disclosure Statements with the Office of the Clerk of the U.S.  
10    House of Representatives ("Financial Statements") for both the 2012 and 2014 elections. In  
11    2012, prior to his marriage with Chrysanthy Tsakopoulos, Demos's largest reported asset was  
12    valued between \$100,001 and \$250,000, and he valued each of his other assets at \$50,000 or  
13    less.<sup>5</sup> The Financial Statements he filed for the 2014 election list two bank accounts, held jointly  
14    with his wife, each valued between \$1,000,001 and \$5,000,000.<sup>6</sup> The statements indicate that the  
15    remaining high-value assets listed belonged to his wife individually.<sup>7</sup> Demos listed no

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<sup>2</sup>        See NYS Board of Elections Representative in Congress Election Returns June 24, 2014,  
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<sup>6</sup>        George Demos, 2013 Financial Disclosure Statement, [http://clerk.house.gov/public\\_disc/financial-](http://clerk.house.gov/public_disc/financial-pdfs/2013/8213601.pdf)  
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<sup>7</sup>        *Id.*

1 employment or earned income for himself on the Financial Statements he filed for either the  
2 2012 or 2014 election cycles.<sup>8</sup>

3 The Committee disclosed four candidate loans during the 2014 election cycle: a  
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5 and two \$250,000 loans made on June 23, 2014, the day before the primary. The Committee  
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9 alleges that Tsakopoulos and his company, AKT, were the true sources of the loans to the  
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11 possibly a prohibited corporate contribution from AKT.<sup>11</sup>

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<sup>8</sup> The Financial Statements that Demos filed in December 2013 and July 2014 list income for his spouse in the amounts of \$24,000 and \$11,500, respectively. The income is shown as salary from AKT. *See* George Demos, 2013 Financial Disclosure Statement, [http://clerk.house.gov/public\\_disc/financial-pdfs/2013/8213601.pdf](http://clerk.house.gov/public_disc/financial-pdfs/2013/8213601.pdf); George Demos, 2014 Financial Disclosure Statement, [http://clerk.house.gov/public\\_disc/financial-pdfs/2014/8216007.pdf](http://clerk.house.gov/public_disc/financial-pdfs/2014/8216007.pdf).

<sup>9</sup> *See* Committee, 2013 October Quarterly Report, <http://docquery.fec.gov/pdf/633/13941680633/13941680633.pdf#navpanes=0>; Committee, 2013 Year-End Report, <http://docquery.fec.gov/pdf/246/14960886246/14960886246.pdf#navpanes=0>; Committee, 2014 July Quarterly Report, <http://docquery.fec.gov/pdf/602/14952617602/14952617602.pdf#navpanes=0>.

<sup>10</sup> The Complaint only questions the two \$1 million loans, presumably because Demos made the two \$250,000 loans after the Complaint's filing.

<sup>11</sup> Compl. at 1-2.

<sup>12</sup> *See id.*

1 \$1,564,800 in non-federal receipts "exempt from limits" (*i.e.*, soft money).<sup>13</sup> He is also the  
2 registered agent for AKT, a California corporation.<sup>14</sup>

The Complaint primarily relies on a description of a meeting between the Complainant and Demos that took place on December 14, 2013, during which Demos allegedly stated that (1) he was “bringing a substantial sum of money to his campaign through his father-in-law;” (2) Tsakopoulos “had committed to give him a total of \$2,000,000 to wage a primary election for the Congressional seat and that he would show that money in his FEC report;” and (3) his father in-law would give additional money for the general election.<sup>15</sup> The Complainant, who is the Chairman of the Brookhaven Town Republican Committee, states that he attended the meeting along with Betty Manzella, his Vice Chair, and he personally heard Demos make these statements.<sup>16</sup> The Complaint also relies on Demos’s purported lack of income; it alleges that Demos was unemployed when he became a candidate, and his last full-time employment was as an attorney for the SEC in 2009.<sup>17</sup> The Complaint also cites to a number of news articles reporting that Demos’s father-in-law was the actual source of the \$2,000,000.<sup>18</sup>

5 The Committee denies the allegations and argues that the Complaint is speculative, the  
6 Complainant is ignorant of Demos's employment history since he left the SEC, and the

<sup>13</sup> See FEC, Individual Contributor Search Form, <http://www.fec.gov/finance/disclosure/norindsea.shtml>. An additional \$7,000 in contributions to political committees also appears in the Commission database under an alternate spelling of his last name.

<sup>14</sup> See *Business Entity Detail: AKT Development Corporation*, CALIFORNIA SECRETARY OF STATE, <http://kepler.sos.ca.gov/>. The Complaint implies AKT was involved because Demos mailed the Committee's Statement of Organization from AKT's business offices in California. See Compl. at 1; Committee Statement of Organization, <http://docquery.fec.gov/pdf/504/13031120504/13031120504.pdf>. (showing return address on UPS mailing envelope to be the same as AKT's offices).

15 Compl. at 2.

16 *Id.*

<sup>17</sup> *Id.* at 1.

18 *Id.* at 2 and Attach.

1 Complaint relies on unsourced press articles. Respondent also disputes the Complainant's  
2 recollection of his meeting with Demos six months earlier.<sup>19</sup> The Response highlights one of the  
3 articles attached to the Complaint, which quotes Demos as stating that the money was his: "[m]y  
4 wife and I have assets, my campaign is funded with our own money."<sup>20</sup> The Response questions  
5 the Complainant's "hazy recollection" of the December 2013 meeting with Demos, calling it  
6 "muddled and wrong," but it does not present a different version of what happened at the  
7 meeting.<sup>21</sup> The Respondent further claims that the Complaint was politically motivated because  
8 it was mailed shortly before the June 2014 primary.<sup>22</sup>

9 In the Response, the Committee states that the funds were not from Demos's father in-  
10 law, but rather from assets that Demos owned with his wife and that the "funds [were] derived  
11 from Mrs. Demos'[s] investment assets."<sup>23</sup> The Response does not state whether Demos's wife  
12 received any funds from her father during the campaign period. The Respondent also questions  
13 the ongoing viability of restrictions on family gifts.<sup>24</sup>

14 According to the Commission's records, Tsakopoulos contributed \$2,600 to the  
15 Committee for both the primary and general elections. There is no information in the record  
16 indicating whether Tsakopoulos gave his daughter money during the campaign period.

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<sup>19</sup> Resp. at 2-4.

<sup>20</sup> *Id.* at 3.

<sup>21</sup> *Id.* at 4-5.

<sup>22</sup> *Id.* at 4. It appears that on June 23, 2014, the Complainant issued a press release about the Complaint, which the local press reported, sent a letter to members of the local Republican Party committee, and posted a message on the Brookhaven Town Republican Committee Facebook page. *Id.* at Exs. 1-4.

<sup>23</sup> Resp. at 5.

<sup>24</sup> *Id.* at 5 n.2



**B. Legal Analysis**

In 2014, the Act prohibited persons from making contributions to any candidate and his or her authorized political committee with respect to any election for federal office which, in the aggregate, exceeded \$2,600.<sup>25</sup> The term “contribution” includes “any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office.”<sup>26</sup> Corporations are prohibited from making a contribution in connection with any federal election.<sup>27</sup>

All contributions made by persons other than political committees must be reported in accordance with 52 U.S.C. § 30104(b)(2)(A) (formerly 2 U.S.C. § 434(b)(2)(A)). Political committees must report the identification of each person who makes a contribution or contributions with an aggregate value in excess of \$200 during the reporting period, together with the date and amount.<sup>28</sup>

Federal candidates may make unlimited contributions from their “personal funds” to their campaigns.<sup>29</sup> “Personal funds” of a candidate means the sum of all of the following: (a) assets;

<sup>25</sup> 52 U.S.C. § 30116(a)(1)(A); *see* 11 C.F.R. §§ 110.1(b)(1)(i), 110.17(b).

<sup>26</sup> *Id.* § 30101(8)(A)(i).

<sup>27</sup> *Id.* § 30118 (formerly 2 U.S.C. § 441b(a)).

<sup>28</sup> *Id.* § 30104(b)(3)(A) (formerly 2 U.S.C. § 434(b)(3)(A)).

<sup>29</sup> 11 C.F.R. § 110.10.

1 (b) income; and (c) jointly owned assets.<sup>30</sup> A candidate's assets are amounts derived from any  
2 asset that, under applicable state law, at the time the individual became a candidate, the candidate  
3 had legal right of access to or control over, and with respect to which the candidate had legal and  
4 rightful title or an equitable interest.<sup>31</sup> A candidate's jointly owned assets are amounts derived  
5 from a portion of assets that are owned jointly by the candidate and the candidate's spouse as  
6 follows: the portion of assets that is equal to the candidate's share of the asset under the  
7 instrument of ownership or conveyance; or if no specific share is indicated by an instrument of  
8 ownership or conveyance, the value of one-half of the property.<sup>32</sup>

9 Although federal candidates may contribute unlimited personal funds to their campaigns,  
10 their family members are subject to the Act's contribution limits.<sup>33</sup> The Commission has  
11 enforced the contribution limit against family members who made excessive contributions to the  
12 candidate's campaign in the form of asset transfers to the candidate.<sup>34</sup>

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<sup>30</sup> *Id.* § 100.33. A candidate's income consists of income received during the current election cycle, of the candidate, including: salary and other earned income that the candidate earns from bona fide employment; income from the candidate's stocks or other investments including interest, dividends, or proceeds from the sale or liquidation of such stocks or investments; bequests to the candidate; income from trusts established before the beginning of the election cycle; income from trusts established by bequest after the beginning of the election cycle of which the candidate is the beneficiary; gifts of a personal nature that had been customarily received by the candidate prior to the beginning of the election cycle; and proceeds from lotteries and similar games of chance. *Id.* § 100.33(b).

<sup>31</sup> *Id.* § 100.33(a).

<sup>32</sup> *Id.* § 100.33(c).

<sup>33</sup> The United States Supreme Court has upheld the constitutionality of the Act's contribution limits as applied to members of a candidate's family. *See Buckley v. Valeo*, 424 U.S. 1, 53 n.59 ("Although the risk of improper influence is somewhat diminished in the case of large contributions from immediate family members, we cannot say that the danger is sufficiently reduced to bar Congress from subjecting family members to the same limitations as nonfamily members.").

<sup>34</sup> *See, e.g.*, MUR 6417 (Huffman) (finding reason to believe a candidate and his spouse violated 52 U.S.C. § 30116(a) and (f) by transferring \$900,000 from the spouse's separately-held trust account to the couple's joint account to be loaned to the candidate's campaign and transferring \$400,000 from the spouse's separately-held trust account directly to the candidate's campaign); MUR 5334 (O'Grady) (finding reason to believe a candidate and her spouse violated 52 U.S.C. § 30116(a) and (f) by making and accepting a \$25,000 loan from the spouse's separate business account).

1 The facts in the sworn Complaint support finding reason to believe that the money  
2 Demos loaned his Committee did not come from his personal funds. Complainant gives a  
3 specific account, under penalty of perjury, of a meeting he personally attended at which Demos  
4 purportedly acknowledged that his father-in-law was providing him with \$2 million for his  
5 campaign.<sup>35</sup> If this account is true, then it would appear that the funds Demos loaned to his  
6 campaign did not qualify as his personal funds under 11 C.F.R. § 100.33 because the funds were  
7 not gifts from Tsakopoulos customarily given. Instead, it appears that the funds were excessive  
8 contributions to Demos to be used in his campaign. The Response challenges Complainant's  
9 recollection of the December 2013 meeting, but it does not present an alternate version of events.

10 Further, the sworn declarations submitted by Demos and Tsakopoulos generally denying  
11 that Tsakopoulos gave Demos or the Committee more than \$5,200 is not dispositive as it does  
12 not rule out another possible scenario: that Tsakopoulos gave his daughter money to be used for  
13 her husband's campaign. Similarly, Demos's general statements quoted in the media that the  
14 money belonged either to him, or to him and his wife, do not persuasively rebut the Complaint's  
15 allegations.<sup>36</sup> And we do not have any information concerning any pattern of gift-giving at this  
16 stage.<sup>37</sup>

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<sup>35</sup> Compl. at 2.

<sup>36</sup> See Compl., Attach. The Commission has found no reason to believe concerning allegations that a candidate lacked sufficient personal funds to make loans to his or her campaign committee where there was information, such as in the form of affidavits or financial documentation, demonstrating that the candidate had access to sufficient personal funds to make the loans at issue. See e.g., MUR 6523 (Wilford R. Cardon, *et al.*), MUR 6412 (Blumenthal for Senate), MUR 6388 (Mattie Fein for Congress), MUR 6341 (Adams for Congress).

<sup>37</sup> In cases involving gifts from family members, the Commission has examined whether the money was given as part of an established pattern of gift-giving, or whether the gift was made for the purpose of influencing an election. See, e.g., MUR 6417 (Jim Huffman for Senate), MUR 5724 (Jim Feldkamp for Congress), and MUR 5571 (Tananoka for Congress). Here, there is no available information at this stage to determine whether Tsakopoulos gave his daughter any gifts during the 2014 election cycle or whether there was an established pattern of gift-giving between Tsakopoulos and his daughter.

1 Demos's Financial Disclosure Statements for the 2014 election cycle also do not resolve  
2 the material issues. The statements disclose no employment or earned income for Demos. They  
3 do show two joint bank accounts from which Demos could have funded the loans. Each account  
4 had a value between \$1,000,001 and \$5,000,000, of which Demos's portion could have been  
5 sufficient to fund the \$2.5 million in loans that he made to his campaign.<sup>38</sup> However, the  
6 Complainant has sworn under penalty of perjury that Demos told him Tsakopoulos would give  
7 him at least \$2 million to fund his campaign. The remaining significant assets disclosed on  
8 Demos's financial disclosure statements appear to be stocks and investments his wife owned  
9 individually.

10 In summary, the Complainant's sworn statement that Demos told him that Demos would  
11 receive \$2 million through his father-in-law for his campaign and the careful wording of the  
12 Respondents' sworn declarations support a reason-to-believe finding that the money Demos  
13 loaned his campaign may not have come from his personal funds.

14 Accordingly, the Commission finds there is reason to believe that the Friends of George  
15 Demos and Robert Cole in his official capacity as treasurer violated 52 U.S.C. §§ 30104(b) and  
16 30116(f) (formerly 2 U.S.C. §§ 434(b) and 441a(f)).

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<sup>38</sup> 11 C.F.R. § 100.33(c).